

## Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN SA 02068 01 OF 02 010003 Z

64

ACTION XMB-07

INFO OCT-01 ARA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 SS-15 NSC-10 STR-08 L-03 PA-03

PRS-01 USIA-12 EUR-25 RSR-01 /163 W  
----- 092188

P 312230 Z MAY 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 2931

LIMITED OFFICIAL USE SECTION 1 OF 2 SAN SALVADOR 2068

E. O. 11652: N/ A

TAGS: EFIN

SUBJECT: IRCA; SALE OF SIXTEEN GM LOCOMOTIVES

REF: A) SAN SALVADOR 1723, B) STATE 100021

1. SUMMARY. GM AND GOES DO NOT REACH FINAL AGREEMENT; GM IS NOW FREE TO SELL LOCOMOTIVES, TO THIRD PARTY WHILST GOES RETAINS OPTION TO BUY THROUGH MIDNIGHT MONDAY JUNE 4. END SUMMARY.

2. A GM 4- MAN TEAM ( DAVID C. LORING, A. E. GASPARINI, H. C. WITTHAUS, ING. MARIANO H. MONTERO) AND SALVADORAN ATTORNEY ALFREDO ORTIZ MANCIA MET WITH AMBASSADOR CATTO IN HIS OFFICE ON THE MORNING OF MAY 21 AND EXPRESSED HOPE THAT NEGOTIATIONS WITH GOES' S SPECIAL 3 - MAN SUBCOMMITTEE WOULD END SATISFACTORILY BY FRIDAY MAY 25. THEY SAID GM' S SELLING PRICE WAS \$1000,000 PER UNIT, THAT GM WAS PLACING ADS IN THREE INDUSTRY PUBLICATIONS, THAT THERE WERE TWO PROSPECTIVE BIDDERS IN THE U. S. AND THAT THEY COULD NEGOTIATE ON PRICE IF NECESSARY BUT NOT TOO MUCH BECAUSE PRICE IS ALREADY VERY LOW. THEY ADDED THAT A NEW MAN HAD TAKEN OVER GM' S LATIN AMERICAN OPERATIONS ( HEAVY EQUIPMENT) WHO WAS RATHER

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN SA 02068 01 OF 02 010003 Z

INTRANSIGENT ABOUT THE WHOLE MATTER. THE ATTORNEY INFORMED THE COMMERCIAL ATTACHE THAT HE DIDN' T THINK THE GOES WOULD MAKE A FINAL DECISION BY MAY 25.

3. THE GM TEAM REPORTED BACK TO THE COMMERCIAL ATTACHE LATER IN THE DAY AS FOLLOWS:

- A) THE GOES' SUBCOMMITTEE APPEARED NOT TO HAVE THE POWER OF DECISION NOR WERE THEY IN POSSESSION OF AN APPROPRIATE POWER OF ATTORNEY. THEY DID NOT WISH TO DISCUSS THE DRAFT CONTRACT, ONLY THE SALES PRICE.
- B) GOES OFFERED \$50,000 PER UNIT FOR 15 LOCOMOTIVES - BASED ON A 1970 ITALIAN EVALUATION OF \$80,000 LESS DEPRECIATION - \$20,000 FOR THE 16 TH SEMI- DISMANTLED LOCOMOTIVE AND \$230,000 FOR 15 YEARS OF MAINTENANCE OR \$1 MILLION IN ALL, PAYABLE IN SEVEN YEARS AT 5-3/4 PERCENT.
- C) LIC. BATISTA MENA, CHAIRMAN OF THE GOES' SUBCOMMITTEE BROKE OFF NEGOTIATIONS AFTER TWO DAYS. ON THURSDAY, MAY 24 HE ( ALONE) REQUESTED A TEN- DAY EXTENSION TO OBTAIN A LETTER OF INTENT SUGGESTING THAT HE WOULD HAND- CARRY SAME TO NEW YORK. GM REFUSED. GM WILL NOT GRANT A SECOND EXTENSION UNLESS THE GOES SO REQUESTS IN WRITING WITH SOME INDICATION OF WHAT THE GOES' S INTENTIONS ARE. THE GOES REFUSED TO DO SO.
- D) GM WAS ASKED TO WAIT UNTIL 6 PM FRIDAY MAY 25. GM ACCEDED PROVIDED THAT ALL THREE SUBCOMMITTEE MEMBERS WOULD MEET WITH GM AT THAT TIME. THE GOES AGREED.
- E) GM HAD VISITED IRCA' S YARDS TO INSPECT THE DIS- MANTLED LOCOMOTIVE. THEY WERE SURPRISED WHEN A FIVE- MAN UNION DELEGATION MET THEM AND ASKED FOR NEWS REGARDING THE NEGOTIATIONS. THEY SIDE- TRACKED QUESTIONS, LIMITING THEMSELVES TO " PLATITUDES".

4. DURING CONVERSATIONS WITH THE GM TEAM, IRCA " INTERVENTOR" MARCO ANTONIO SILVA CALLED REQUESTING AN APPOINTMENT WITH THE COMMERCIAL ATTACHE. HE SAID THE NEGOTIATIONS WERE " DEADLOCKED" BUT HOPED THAT " SOME AGREEMENT WOULD STILL BE REACHED".

GM THEN ASKED THAT THEIR IMPRESSIONS SHOULD BE CONVEYED TO SILVA AND REQUESTED A REPORT ON THE GOES' VIEWS PRIOR TO THEIR 6 PM MEETING WITH THE SUBCOMMITTEE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN SA 02068 01 OF 02 010003 Z

5. THE COMMERCIAL ATTACHE MET IN HIS OFFICE WITH LIC. BATISTA MENA AND ING. MARCO ANTONIO SILVA ( LIC. JAUREGUI COULD NOT COME) THAT AFTERNOON. THEY REPORTED AS FOLLOWS:

- A) THE GOES IS DISAPPOINTED. THE SUBCOMMITTEE IS INDEED EMPOWERED TO NEGOTIATE TERMS OF SALE BUT NOT TO SIGN A CONTRACT.
- B) THE GOES CANNOT, BECAUSE OF CERTAIN LEGAL ASPECTS, ACTUALLY PURCHASE THE LOCOMOTIVES BEFORE " TAKING OVER"

IRCA, BUT THAT SUCH ACTION, POSSIBLY BY JULY 22, WOULD NOT REPEAT NOT INCLUDE THE LOCOMOTIVES. THE GOES WOULD, OF COURSE, BE PREPARED TO GIVE GM A LETTER OF INTENT TO PURCHASE THE LOCOMOTIVES FOR THE ORIGINAL \$1 MILLION OFFERED PLUS ANOTHER \$3000,000, SIGNED BY THE SUBCOMMITTEE'S CHAIRMAN. THE MINISTER OF ECONOMY WOULD THEN SIGN THE BILL OF SALE. THE EXTRA \$2000,000 HAD JUST BEEN AUTHORIZED VERBALLY BY MINISTER OF FINANCE GAVIDIA.

C) THE GOES DOES NOT UNDERSTAND GM'S RIGIDITY. THE SUBCOMMITTEE ENJOYS THE FULL CONFIDENCE OF BOTH THE PRESIDENT AND ECON MINISTER SANCHEZ AGUILLON. A POWER OF ATTORNEY IS UNNECESSARY, ESPECIALLY WHEN NEGOTIATIONS ARE SECRET.

D) THE SUBCOMMITTEE BROKE OFF NEGOTIATIONS BECAUSE THERE WAS NO AGREEMENT ON PRICE. THE GOES STUDIED GM'S DRAFT CONTRACT AND SAW NO REASON TO DISCUSS IT UNTIL SUCH TIME AS THERE SHOULD BE AN AGREEMENT ON SALES PRICE, GM SHOULD NOT EXPECT GOES TO SOLVE GMS PROBLEMS WITH IRCA. GM IS NOT REALISTIC IN ITS COMPUTATION OF REAL VALUE OF LOCOMOTIVES. 10- DAY EXTENSION IS FOR TIME TO OBTAIN PRESIDENT'S CONSENT TO INCREASE GOES'S OFFER BEYOND \$1.2 M. GOES IS AWARE OF GM'S MOVES TO SELL TO 3 RD PARTIES.

E) SHOULD NEGOTIATIONS FAIL GM HAS ASKED GOES TO FACILITATE REMOVAL OF LOCOMOTIVES FROM EL SALVADOR. GOES WOULD NOT OPPOSE REMOVAL; HOWEVER, IRCA SAN SALVADOR MIGHT SEEK COURT INJUNCTION TO PREVENT REMOVAL SINCE IRCA HAS "RIGHT OF POSSESSION".

F) LIC. BATISTA ASKED COMMERCIAL ATTACHE TO CONVEY GOES'S VIEWS TO GM TEAM BEFORE 6 PM MEETING. COMMERCIAL ATTACHE LAID OUT GLOOMY PANORAMA IF NEGOTIATIONS FAILED. INVOCATION OF OPIC INSURANCE, USG INVOLVEMENT, A REAL CASE IN THE EVENT GOES WERE TO OBSTRUCT REPOSSESSION AND REMOVAL BY GM. GOES UNDERSTOOD.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 SAN SA 02068 01 OF 02 010003 Z

6. IN THE EVENING, THE COMMERCIAL ATTACHE MET WITH GM TEAM (WITTHAUS, GASPARINI, MONTERO - LORING WAS ABSENT). GM REAFFIRMED ITS DISAPPOINTMENT AND INSISTENCE ON PRICE OF \$1.59 M INCLUDING MAINTENANCE. GM, HOWEVER, AGREED TO REDRAFT CONTRACT SO THAT IT "PAYS MORE HEED TO SALVADORAN LAW". AFTER A 30 MINUTE DISCUSSION GM AGREED TO GRANT A 10 DAY EXTENSION AS FOLLOWS:  
CATTO

LIMITED OFFICIAL USE

NNNNMAFVVZCZ

ADP000  
LIMITED OFFICIAL USE

PAGE 01 SAN SA 02068 02 OF 02 312330 Z

64

ACTION XMB-07

INFO OCT-01 ARA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 SS-15 NSC-10 STR-08 L-03 PA-03

PRS-01 USIA-12 EUR-25 RSR-01 /163 W  
----- 092056

P 36 230 Z MAY 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORCTY 2932

LIMITED OFFICIAL USE SECTION 2 OF 2 SAN SALVADOR 2068

A) IF GOES PROVIDES A WRITTEN REQUEST, EXTENSION WILL  
INCLUDE GOES' S EXCLUSIVE PURCHASE RIGHTS THROUGH MIDNIGHT  
JUNE 4 AND THROUGH JUNE 18 FOR SIGNATURE OF NEW CONTRACT  
B) OTHERWISE GM WILL BE FREE TO SELL TO 3 RD PARTY AND  
OFFER REMAINS SUBJECT TO PRIOR SALE

7. LATER, THE COMMERCIAL ATTACHE MET BRIEFLY WITH LIC.  
BATISTA MENA JUST PRIOR TO HIS MEETIG WITH GM TEAM.  
HE SAID HE WOULD BE SEEING PRESIDENT MILINA AROUND THE  
MIDDLE OF NEXT WEEK ( WEEK OF 5/28), AND THAT HE HOPED A  
LETTER OF INTENT WOULD BE READY BEFORE FRIDAY, JUNE 1.  
THERE WOULD BE NO REPEAT NO WRITTEN REQUEST TO GM FOR  
AN EXTENSION. HE SUGGESTED THAT COMMERCIAL ATTACHE  
SIT IN A MEETING WITH GM, BUT THIS WAS POLITELY DECLINED.

8. THE GM TEAM DEPARTED SATURDAY, MAY 26.

9. ON TUESDAY, MAY 29, ING. SILVA AND LIC. BATISTA MENA  
VISITED THE COMMERCIAL ATTACHE IN HIS OFFICE AND  
REPORTED THE FOLLOWING:

A) AFTER TWO MEETINGS WITH THE GM TEAM ON FRIDAY  
EVENING, MAY 25, GM SUBMITTED ITS FINAL OFFER GRANTING  
LIMITED OFFICIAL USE  
LIMITED OFFICIAL USE

PAGE 02 SAN SA 02068 02 OF 02 312330 Z

GOES 10 DAYS THROUGH MONDAY JUNE 4, AT MIDNIGHT TO

DELIVER A LETTER OF INTENT TO DR. ORTIZ MANCIA AGREEING TO PURCHASE THE LOCOMOTIVES FOR \$ 1.59 M AND THROUGH 6/18 TO SIGN THE NEW CONTRACT, A COPY OF WHICH WAS HANDED TO THE SUBCOMMITTEE, GM RETAINING THE RIGHT TO SELL. IF GM DOES NOT SELL BY MIDNIGHT, JUNE 4, THEN GOES REGAINS EXCLUSIVITY, PROVIDED IT AGREES TO BUY FOR \$ 1.59 M. IF THERE SHOULD BE NO LETTER OF INTENT GM EXPECTS GOES TO FACILITATE GM' S REMOVAL OF THE LOCOMOTIVES FROM EL SALVADOR.

B) GOES HAD PREVIOUSLY OFFERED TO PURCHASE FOR \$ 1.2 M OVER 6-1/2 YEARS AT 5-1/2 PERCENT WITH A \$ 200,000 DOWN PAYMENT BUT GM HAD DECLINED.

C) IF ALL FAILS, GOES HAS THREE ALTERNATIVES:

1 - PURCHASE NEW LOCOMOTIVES AT A COST OF \$ 4 M, WITH 12- MONTHS DELIVERY DELAY , AND MEET A PAYROLL OF 1 M COLONES

2 - PAY GM' S PRICE OUT OF POLITICAL EXPEDIENCY AND RISK CRITICISM FOR " SELLING OUT TO THE IMPERIALISTS"

3 - LET IRCA PURSUE COURT ACTION TO PREVENT REMOVAL OF LOCOMOTIVES AND FINALLY EXPROPRIATE IRCA, PAYIG GM \$ 1.2 M ON A TAKE- IT- OR- LEAVE- IT BASIS.

D) SUBCOMMITTEE EXPECTS TO ADVISE COMMERCIAL ATTACHE BY FRIDAY, 6/1 OF OUTCOME OF ITS MEETING WITH PRESIDENT MOLINA.

E) LIC. BATISTA MENA ALERTED COMMERCIAL ATTACHE TO " GROWING DISSENSION" AMONG IRCA EXECUTIVES. HE STATED THAT ACTING MANAGER DIAZ GAITAN HAD " CONCLUDED THAT GENERAL MANAGER LESLEY WAS NOT INTERESTED IN IRCA, EL SALVADOR AND HE WAS CONSEQUENTLY NOT GOING TO HEED HIS ORDERS". LIC. BATISTA MENA ALSO SAID THAT IT APPEARS THAT GENERAL MANAGER LESLEY WAS IN ARREARS WITH HIS SALVADORAN INCOME TAX PAYMENTS AND THAT THIS WAS MAKING IT DIFFICULT FOR THE GOES TO " HAVE CONTACTS WITH HIM". HE ALSO WARNED THAT ECON. MINISTER SANCHEZ AGUILLON HAD LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 03 SAN SA 02068 02 OF 02 312330 Z

TOLD HIM THAT HE WOULD NOT AGAIN GRANT AN AUDIENCE TO GENERAL MANAGER LESLEY. CATTO

LIMITED OFFICIAL USE

NNNNMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 MAY 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** elyme  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973SANSAS02068  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** n/a  
**Errors:** n/a  
**Film Number:** n/a  
**From:** SAN SALVADOR  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730556/aaaajwv.tel  
**Line Count:** 276  
**Locator:** TEXT ON-LINE  
**Office:** ACTION XMB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 73 SAN SALVADOR 1723, 73 STATE 100021  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** elyme  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16-Jan-2002 by willialc>; APPROVED <06-Feb-2002 by elyme>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> mcm 980309  
**Subject:** IRCA; SALE OF SIXTEEN GM LOCOMOTIVES  
**TAGS:** EFIN  
**To:** SECSTATE WASHDC  
**XMB**  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005